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ABSTRACT

On November 9, 1989, Governor William P. Clements, Jr., established a Task Force on Public Education and charged it to develop a blueprint for restructuring public education in Texas. The state public education system is under taxpayer pressure to improve performance and under court order to correct funding inequities. This report describes the task force's recommendations for legislative action to move Texas toward a fiscally neutral, quality education for all students. The task force defined and recommended a set of funding principles to be implemented as state policy, along with a specific funding plan to meet these objectives. The task force also recommended fundamental changes in governance and accountability structures within the system, methods of determining the costs of delivering educational services, and the process measuring and rewarding educational performance. Following a brief history of educational reform in Texas, 28 general and 9 funding system recommendations are presented. The final section addresses funding plan design considerations and introduces the four tables involving task force parameters, forecasts, and results and wealth neutrality measures. An appendix contains a copy of the governor's executive order. (MLH)

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THE PATH TO A QUALITY EDUCATION FOR ALL TEXAS STUDENTS

Final Report of the Governor's Task Force on Public Education

February 27, 1990

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THE STATE OF TEXAS

"All who have meditated on the art of governing mankind have been convinced that the fate of empires depends upon the education of their youth."

- Aristotle -

"... it shall be the duty of the legislature of the State to establish and make suitable provisions for the support and maintenance of an efficient system of public free schools."

Article VII Section I
Constitution of the State of Texas

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Task Force on Public Education

February 27, 1990

Honorable William P. Clements, Jr.
Governor

Honorable William P. Hobby
Lieutenant Governor

Honorable Gibson (Gib) D. Lewis
Speaker of the House

Gentlemen:

I am pleased to submit this report on behalf of the members of the Governor's Task Force on Public Education. In response to the Governor's charge, the Task Force has attempted to develop a blueprint for restructuring public education.

Of great importance is the recommendation for the acceptance of funding principles which we believe will lead to a fiscally neutral school finance system. Additional recommendations have been directed toward improving governance and accountability, because we believe that improvements in the management of the system are needed.

We are pleased with the opportunity to participate as Task Force members and sincerely hope that our recommendations will be of benefit to you and the State of Texas.

Respectfully,

Charles Miller

Charles Miller, Chairman
Governor's Task Force on
Public Education

P. O. Box 12428 Austin, Texas 78711

ACKNOWLEDGEMENTS

Efforts to study a large, complex system in a short period of time are only possible with the help of many individuals. The work of the Governor's Task Force on Public Education was made possible by the combined efforts of more than twenty knowledgeable individuals serving as Task Force staff, many of whom volunteered their time. Some are not named because their contributions were outside their professional positions. All contributors brought to the task experiences in public education, public policy analysis or public finance. Each had an honest purpose of aiding in this issue of great interest - public education.

The findings of the Task Force, and the opinions expressed in this report, do not necessarily represent the opinions of any one staff contributor nor the consensus of the staff as a group. Regardless of their opinions, the Task Force recognizes the contributions and professional judgment of the following individuals without whom this report, and the study it represents, would not have been possible.

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PREFACE

Two distinct themes emerge in the debate over what needs to be done to improve public education in Texas.

The first theme is the plea by educators for additional funds to accomplish the many tasks assigned by lawmakers and to satisfy the responsibilities delegated to them by parents and the citizenry in general. Educators maintain that lack of satisfactory student performance and a shortage of resources are caused in part by public school responsibilities growing more rapidly than financial support.

The second theme is advanced by taxpayers who state that funding for the public schools has increased in recent years—particularly from escalated local property taxes—but that there has been little accompanying improvement in student performance. Taxpayers maintain that fundamental changes in the educational system are required if money that is spent on public education is to be used wisely.

Neither educators nor taxpayers want public education to fail. Both educators and taxpayers want an effective educational system for the school children of Texas.

Superimposed on the debate over educational improvements is the issue of unfairness in funding created by the existence of unequally distributed property wealth which has been the basis for a major share of the financial support provided for public schools. The public education system in Texas is not only under pressure for improved performance by those who pay for its support but also under court order to correct inequities.

This report describes the recommendations of the Governor's Task Force on Public Education for legislative action to respond to the Supreme Court decision by moving Texas along the path to a fiscally neutral, quality education for all Texas students while also addressing the concerns of both taxpayers and educators.

Most importantly, the Task Force has defined and recommended a set of funding principles to be implemented as state policy, along with a specific funding plan to meet these objectives. Directed to develop a blueprint for improving public education in Texas and resolving unfairness in funding, the Task Force identified issues directly affecting the performance and funding of the school system. In addressing the issues, Task Force members considered and recommended fundamental changes in governance and accountability structures within the system, the methods of determining the cost of delivery of educational services, and the process by which educational performance is measured and rewarded.

I. HISTORY OF EDUCATIONAL REFORM

Educational reform has been a topic of interest since the constitutional provisions for public education were enacted in 1836 and in 1845. Over the years, the state's educational system and its funding patterns have been reviewed, evaluated and changed to respond to changes in the makeup of the state. Several of the review efforts have produced major shifts in public policy and have become milestones in the history of public education reform efforts.

In 1949, the Gilmer-Aikin reform initiative established a minimum foundation program with a state and local sharing of program costs, formulas for determining the amount of state and local aid, and a state minimum salary schedule for teachers. Gilmer-Aikin also reorganized the state level administration of public education by creating a central education agency consisting of an elected State Board of Education, an appointed commissioner of education and a state department of education.

In 1979, a legislative mandate to the State Board of Education initiated a far-reaching analysis and review of the curriculum in Texas public schools. Teachers from all parts of the state participated in studies of content and produced a set of essential elements for a statewide core curriculum. House Bill 246 was passed in 1981 to put the core curriculum into statute.

House Bill 72 produced a major restructuring of the public education system in Texas in 1984. Built on the findings of a citizen-public official committee, legislation was enacted which directed resources to early childhood education and remediation, increased performance measurement, and strengthened attendance and promotion requirements. The distribution of state funds was changed to better reflect student counts and cost differences for special needs students. The concept of a performance-based career ladder for teachers was introduced along with full-day kindergarten for five-year-olds and voluntary pre-kindergarten programs for disadvantaged four-year-olds.

Two pieces of legislation which passed in 1989 continued the public school restructuring begun in 1984. After consideration of the 1988 Select Committee on Education report, the legislature in Senate Bill 1019, implemented a guaranteed yield system for equalizing school funding over and above the minimum foundation program. Senate Bill 417 established pilot programs for at-risk students, intensive academic programs for students in first through third grades; and pre-kindergarten for eligible three-year-olds. Senate Bill 417 also provided incentives for performance and innovation, required that performance indicators be used to assess the quality of learning on each campus throughout the state, and established scholastic gains awards for schools and school districts.

Although there have been important adjustments to the system, the basic structure established in 1984 remains in place. Pressure for better performance measurement and increased academic quality persists, and organized public scrutiny of the educational system has become more of a constant than an intermittent effort. While performance results since 1984 have been mixed, the number of students needing remedial education has fallen and test score gains have been achieved in the early grades. Test scores for Black and Hispanic students have shown greater than average gains. Performance trends appear to be favorable and the public, although impatient, has become more aware of the effort required to change the system.

Educational reform activities also have been initiated through the judicial system. In 1971, a United States District Court reviewing the Texas financing system in *Rodriquez v. San Antonio ISD* declared "that the state's method, which relied heavily on local wealth, discriminated against children living in property-poor school districts." In 1973, the United States Supreme Court, in a five to four decision, reversed the Rodriquez decision by holding that education was not a fundamental right, and because the public schools of Texas were open to all there was no showing of discrimination against any class of people. However, the court strongly encouraged the Texas legislature to create a better method of school finance support.

In 1984, the Mexican American Legal Defense and Education Fund filed a class action suit challenging the state's public school finance system, which resulted in a state district court finding that the system was unconstitutional under both the "equal protection" clause and the "efficiency" clause of the state constitution. On October 2, 1989, the Texas Supreme Court, in a unanimous decision, affirmed the trial court's decision that the system violated the efficiency requirement of the Texas Constitution but it did not reach the equal protection question. The decision of the court requires that school districts have substantially equal access to similar revenues per pupil at similar levels of tax effort, directs the legislature to decide how best to achieve a system that provides equality based upon a fiscal neutrality standard, and sets a May 1, 1990 deadline for enactment.

On November 9, 1989, Governor William P. Clements, Jr., established a Task Force on Public Education and charged it to develop a blueprint for restructuring public education in Texas to produce an efficient system of public free schools.

II. GENERAL RECOMMENDATIONS OF THE TASK FORCE

Clear definitions of authority are essential in the governance of an organization. In public education, policy making and managerial responsibilities are not clearly defined. At the state level the Governor, the Legislature, the Legislative Education Board, the State Board of Education, the Commissioner of Education and the Texas Education Agency have varying levels of involvement. Authority is scattered, setting the stage for a dispersion of accountability. To gain better governance and assign authority and responsibility the Task Force recommends that:

1) **All statutes and rules be reviewed to ensure that the Legislature is the policy making body for the public education system of Texas.**

2) **The Legislative Education Board be encouraged to exercise its oversight responsibility so that legislative policy is implemented.**

3) **The Legislature and the Governor be involved in the selection of the Commissioner of Education and Chairman of the State Board of Education by having candidates for Commissioner and Chairman selected by the Governor, after formal consultation with the Legislative Education Board and the State Board of Education, with the consent of the Senate.**

4) **Policy implementation authority be placed with the Commissioner of Education.**

5) **The Commissioner of Education be given the authority to manage or close schools or school districts and reassign the students when student performance does not meet minimum standards as determined through the accreditation process.**

6) **The Commissioner of Education be directed to lower the accreditation of all districts in which students do not have access to all courses or subjects required by law or rule.**

Rather than dealing with major policy interpretation and overall strategy, the State Board of Education and the Texas Education Agency are organized to develop the tactics which local school districts must follow. Since the State Board of Education and the Texas Education Agency also evaluate the effectiveness of the tactics, local administrators feel that their decision making authority is severely limited and, consequently, they cannot be held accountable. When the State Board of Education takes on responsibility for specific tactics, laws that begin as simple policy statements often become many pages of detailed rules as they are extended to cover any and all interpretations that might be made in the schools. Consequently, the Task Force recommends that:

7) **The State Board of Education, in addition to its constitutional duties, be responsible for review of legislative policy implementation, evaluation of Education Agency plans and programs, and periodic reporting to the Commissioner of Education, Legislative Education Board, the Legislature, and the Governor on the success or failure of legislative mandates and policies.**

8) **The State Board of Education be responsible for representing the public by obtaining and then communicating to the Commissioner of Education information from parents and other citizens, school administrators and teachers.**

9) **Within the accreditation process, the Commissioner of Education emphasize student performance and other indicators by campus rather than instructional systems and recognize performance differences of different types of students.**

Local school boards are not required to set academic performance expectations for local schools and, consequently, no accountability "yardstick" is available to judge their performance. Local voters, told that decisions are made in Austin, feel that they cannot influence local educational expenditures nor have any easy way to evaluate local school effectiveness. The Task Force recommends that:

10) **Local school boards be required to affirm and provide a written annual report on the objectives and the degree of attainment of the objectives for student performance at each campus within their district.**

11) **Each campus principal, with the concurrence of the faculty and the approval of the superintendent of the district, annually submit performance objectives which recognize different types of students, to the local board of education.**

Many factors that influence student performance are not subject to control by school personnel. Although a family's social and economic conditions may have dramatic impact on school performance, limited resources are available within the schools to address the non-academic needs of the students. Teachers and administrators do not feel that they should be held accountable for factors beyond their control which affect student performance. To develop the means of providing school personnel with better support, the Task Force recommends that:

12) **A study be initiated to determine the feasibility of requiring all state-supported youth service agencies to cooperate in establishing a school site-based services delivery system.**

Before the efficiency of a system can be evaluated, it is necessary to understand the purposes and costs involved. The accountable cost determination process, which is in place to analytically establish the costs required to deliver a basic educational program, is based upon historical analyses which continue past practices without regard for efficiency or effectiveness. For the most part, the analytical process has been managed by individuals who, because of employment or other affiliations, are closely allied with the educators who will benefit or lose in appropriations decisions based upon accountable cost findings.

Funding adjustments which have been put in place to protect past practices, special interest groups or certain types of districts are accepted as necessary, regardless of their impact on productivity or taxpayer burden. Constant pressure is applied against any changes which reduce funding or even restrict funding increases for any sector or group. The result is an accepted practice of handling requests for funds by giving something to everyone. Political analyses replace cost analyses as the basis for accountable cost determination.

Rarely is any cost/benefit justification made before adoption of new programs. Compounding the program justification problem is the lack of cost effectiveness evaluation after a program is initiated. Once in place, programs develop a following, and the ensuing political pressure within the state agency and legislature makes modification or elimination difficult. The Task Force recommends that:

13) **The Legislative Education Board review the definition of an accredited education and, prior to each regular session of the legislature, establish the costs and adjustments required.**

14) **The role of the Education Economic Policy Center be strengthened and the center be adequately funded to provide statewide policy and program research, and that:**

   a) **The name of the center be changed to Education Economic Policy Research Center;**

   b) **The center be assigned the responsibility for assisting the Legislative Education Board in defining and developing a method for costing public education:**

   c) **The center be directed to advise the Legislature, Governor and Commissioner of Education on the setting of academic performance and other standards, building upon the findings of the Advisory Committee on Performance Indicators; and,**

   d) **The center be directed to initiate studies of program effectiveness and to recommend to the Legislature, Governor and Commissioner of Education actions which would increase the productivity and efficiency of the public school system .**

Only a small fraction of public school expenditures is dedicated to statewide program evaluation or cost effectiveness studies, and little effort goes into modernizing instruction. Even though research has shown that educational technology can be a vital and cost effective method of increasing pupil achievement, changes in the classroom have not been aggressively pursued. No pressures within current funding mechanisms exist to encourage modernization.

Productivity research shows that the allocation of teacher time to individuals and small groups within classrooms is a prime factor in learning. However, the technology which expands teacher capabilities, leverages their time and makes the process more efficient is only slowly being investigated. Better use of technology should be an integral factor in

increasing educational equity, adequacy and efficiency. Greater use of modern technology is viewed by many policymakers and researchers as a key to student productivity and academic excellence. The Task Force recommends that:

15) **A Public Education Development Fund be established to support research and development, program initiatives for low-performing campuses, the introduction of modern teaching technologies into the classroom, and innovations and modernization of instructional methods and school organization. Additional funding is needed to fund programs and research and to help support the Education Economic Policy Research Center.**

16) **The introduction of effective technology in the public schools be supported by increasing, on an equalized basis, the funding for technology initiatives, so that:**

   a) **Teachers are trained in the use of new technologies;**

   b) **A low-interest loan program be established for districts and teachers who wish to acquire instructional software or hardware;**

   c) **Support of the Long-Range Plan for Technology in Education be increased;**

   d) **A technology allotment be added within the equalized basic education program of the state; and,**

   e) **The Center for Educational Technology be adequately supported.**

Many new program initiatives are under consideration or are being tried in educational systems throughout the country. It is clear that change is needed. The Task Force discussed and considered proposals for programmatic and methodological changes but did not analyze their impact sufficiently to make specific selections. Therefore, the Task Force recommends that:

17) **Funds be provided for specific initiatives, trial programs or studies of changes which may increase the efficiency of the public education system, that specific attention be directed to:**

   a) **School year restructuring;**

   b) **The use of alternative settings for students who do not learn in traditional classroom programs;**

   c) **Increasing state participation in parental literacy programs;**

   d) **Increasing campus level decision making;**

   e) **Establishing incentives for teacher development in use of technology in the classroom;**

   f) **Increasing student and parental choice in the public schools; and,**

   g) **Introducing early childhood education and child care into the public schools.**

18) **The implementation of pre-kindergarten for disadvantaged three-year-olds be moved forward from the 1993-1994 to the 1992-1993 school year.**

Traditionally, education has been evaluated on process, rather than on outcome. Emphasis has been placed on teaching methods and classroom activity rather than student achievement. Resistance to performance measurement has been especially keen when it has been proposed as, or part of, teacher, campus or district comparisons. Statewide testing of students and reporting of results is a recent initiative forced upon the system by a reform-minded legislature in 1979 and put into place in 1984.

Vast sums of money and energy have been spent at the state and local levels to develop and implement a teacher appraisal system that does not account for student achievement. In spite of dissatisfaction with the appraisal system, the state is establishing a similar evaluation system for administrators. The operating assumption seems to be that detailed control of inputs will ensure desired outputs, but experience suggests that the assumption is not valid. The Task Force recommends that:

19) **The academic excellence indicators now provided by law be improved to include the factors which best represent the educational objectives for all types of students of the state, and that:**

   a) **Statewide targets and minimum standards for performance on the excellence indicators be established;**

   b) **Annual campus level objective setting be required;**

   c) **Teacher, administrator, parent, and taxpayer input be considered in the definition of academic excellence objectives;**

   d) **The accreditation process focus on performance on excellence indicators rather than teaching processes;**

   e) **Emphasis on the development of criterion referenced tests which measure knowledge and skills beyond minimum levels be increased; and,**

   f) **Norm referenced tests for all public school students be added systematically.**

Outsiders who look into the public education system tend to be convinced that a lack of performance incentives for teachers, principals, and administrators is a major weakness. The public school system's apparent resistance to accept performance measurement and its inability to demonstrate performance gains creates a public reluctance when additional financial support is requested. To a large extent, the current debate over school funding revolves around the issue of relating costs to outputs for a system that has historically specialized in inputs. Signals are clear from the public and many elected officials that better output measurement is critically important to continued public support.

Experience in organizational behavior suggests that good performance is most easily obtained when performance objectives are clearly stated and rewards made available when

objectives are satisfied. A critical impasse and potential for frustration exists in public education as long as performance objectives for teachers are set as inputs (teaching methods) and rewards are prescribed in terms of outputs (student achievement gains). To better recognize that student performance is most important and local creativity and special efforts are desirable, the Task Force recommends that:

20) **The existing reward system for campuses and districts that demonstrate excellence or substantial gains toward excellence be greatly enhanced, and that:**

   a) **Funding for the Governor's Educational Excellence Program for Texas be expanded;**

   b) **An expanded waiver and exemption policy be established that allows all campuses to obtain waivers or exemptions from rules when they demonstrate that student performance can be increased by the waivers or exemptions; and,**

   c) **An exemption policy be established that frees exemplary campuses from most rules and regulations.**

21) **State support be increased for student scholarships for post-secondary education including the college work-study program.**

Emphasis on performance accountability and performance awards are the focus of many of the recommendations of the Task Force. The relationships between the various recommendations are graphically represented in Appendix B.

A major concern of educational reformers has been a real or perceived loss of professionalism by teachers and administrators who staff the public education system. Attempts to upgrade the profession have taken the form of pay increases, increased entry requirements, qualifying tests or career ladder programs. Unfortunately, these initiatives have not always had the desired effect.

As a profession, teachers are faced with a highly compressed compensation system. High quality, experienced teachers do not have adequate opportunity to receive salaries and other rewards that are far different from beginners. Legislated pay increases which only raise minimums or adjust pay across-the-board are politically popular and easy to achieve, but further compress the salary differential between beginners and experienced professionals. Limited salary growth opportunity is a factor in teacher turnover as promotion into administration or leaving the profession become the only way to increase earnings.

In Texas, an attempt to establish a career progression of jobs through which a professional teacher could advance and still remain in the classroom has become a merit pay program without an adequate measure of merit. While the Task Force was not able to examine the reward system in detail, it does recommend that:

22) **A thorough study of the teacher's career ladder be conducted to consider eliminating the existing system, modifying the system to increase the mentor responsibility of the master teacher or replacing the system with a less complex merit system for all teachers.**

Since the statewide teacher appraisal system mandated in 1984 was implemented as a method of evaluating teacher performance, teachers have felt a loss of professionalism. The appraisal system measures pre-specified behaviors, and the value of individual judgement and creativity seem to be no longer recognized. Rigid time requirements, mandatory performances, and proscribed activities are suggested in place of individual initiatives. Because of the implementation of the appraisal instrument, the use of individual creativity and professional judgment may result in reduced performance ratings. The Task Force recommends that:

23) A study of the Texas Teacher Appraisal System be conducted to redefine or restrict its use, and that consideration be given to:

a) The use of the appraisal system for evaluation of probationary or level one teachers who are eligible for promotion;

b) The use of the appraisal system to assess training and improvement needs for all teachers rather than produce performance ratings;

c) Eliminating scheduled appraisals;

d) The use of master or mentor teachers, department chairpersons, assistant principals or principals as appraisers;

e) Discontinuing the direct tie between process appraisal and teacher compensation; and,

f) The addition of classroom objective setting to the appraisal process and the dedication of sufficient teacher time for objective setting.

Teacher education in Texas is currently being revised as higher education institutions implement legislative mandates which limit the number of pedagogical courses and direct the colleges of education to develop interdisciplinary degrees. Teachers are now required to have three semester credit hours of computer literacy for certification, but the literacy training is limited to functional basics only. The use of technology within teaching methodologies is not a major part of the curriculum. Within teacher education little attention is given to modernizing teaching methods. The Task Force wishes to reinforce efforts to upgrade the teacher corps and recommends that:

24) Alternative certification programs be expanded to encourage entry and re-entry into the teaching corps.

25) Teacher education and in-service be expanded in the use of technology in the classroom and fully use active teachers in the process.

Although principals shoulder a large part of the managerial responsibility for the educational system and have a major impact on educational quality, they tend to receive lower salaries and less recognition than central administrative staff. The training and development of administrators is centered around offerings of schools of education which

feature traditional administrative practices. Administrators, including principals, are qualified and selected more on academic record than on leadership abilities. Promotional and compensation decisions for administrators are not heavily influenced by the academic performance gains demonstrated by students under their control. Yet, studies of educational effectiveness suggest that variances in the quality of the principal are one of the factors most highly correlated with student achievement. Little has been done to better select, evaluate, or reward principals. The Task Force recommends that:

26) **Principal certification and selection requirements be redesigned to stress the importance of demonstrated instructional leadership, management skills, and teaching effectiveness evaluation.**

27) **Principal appraisals be based primarily on the performance or performance gains of his or her campus on academic excellence indicators.**

Principals in the system were given greater responsibility for the performance of students and teachers in the 1984 reform act but little authority or control over budgets, teaching methods, teacher selection, or teacher rewards. The Task Force recommends that:

28) **Principals be given the authority to approve teacher and staff appointments after consultation with faculty advisory groups.**

III. PROPOSED FUNDING SYSTEM RECOMMENDATIONS

The ruling of the Supreme Court in Edgewood v. Kirby has forced the state to focus on the concept that school districts should have similar abilities to raise funds. To be in compliance with the Court's directive, tax effort by a local school district must generate combined state and local revenues per pupil in a manner that is not related to property wealth per pupil. Historically, when the funds appropriated by the state did not grow proportionately as fast as revenues from local property taxes, property rich districts were more easily able to increase revenues per pupil than those with less wealth. In the mid-1980s state aid for public schools, as a percentage of state and local revenues was more than 50 percent, but has dropped to an estimated 46.6 percent.

The Supreme Court also addressed the need for the state to provide funds for an efficient system—relating efficiency to both equal distribution of services and effective production of results without waste of resources. Little information exists that allows for an analysis of efficiency, but clearly there is a requirement to see that funds are available for those educational services required by the state. Requirements for state funds will increase or decrease as costs associated with the economy change, demands in the system vary, and more efficient programming is initiated.

Because of the reliance on local property taxes, current funding methods create a significant relationship between property wealth per student and revenue per student. As a consequence, the current system does not provide fiscal neutrality. Local districts do not have substantially equal access to similar revenues. Fiscal neutrality can be obtained by the infusion of state funds, more stringent restrictions on the ability of local districts to tax, redistribution of local tax revenues from one district to another, consolidation of school districts or tax bases, or some combination of the above. Even after the system has achieved substantial fiscal neutrality, some amounts of incremental state funds will be required if local districts are allowed to raise local tax revenues. Increases in locally generated revenues beyond those assumed in the models will disequalize the system unless adequately matched by state funds.

To bring the Texas school finance system into compliance with Court mandates the Task Force recommends that:

29) The state adopt as policy, principles which will establish funding targets to achieve and maintain a fiscally neutral system, and that the state would ensure that:

a) Within five years, revenue per pupil will not be significantly related to wealth per pupil for at least 95 percent of all students;

b) Funding for the cost of a basic education will meet or exceed research based cost estimates plus increments related to economic growth in the state;

c) **Within five years, the state share of funding for public education will represent at least 50% of total state and local funding;**

d) **No major, overall local property tax effort increase will be required;**

e) **The state will guarantee equalized funding for local tax effort up to approximately the statewide average;**

f) **All new state expenditures for public education be delivered as much as possible in a wealth neutral manner; and,**

g) **All proposed legislation which affects public education will contain a fiscal neutrality impact statement addressing all state equalized funding targets and policies.**

While the Court requires that districts must have substantially equal access to resources, it did not prescribe a specific measure of wealth neutrality nor a definition of what level of neutrality might be considered substantial. In consultation with school finance experts, the Task Force established a definition and standard of fiscal neutrality by which funding systems and plans can be judged.

Because the existence of a few districts with unusually high property wealth and few students tends to mask the true relationship between property wealth and revenue, consideration was given to definitions of substantial equality which eliminated small, widely disparate districts from the neutrality calculations. In selecting a specific measure of wealth neutrality, the Task Force was guided to the correlation coefficient and its derivatives to statistically measure the relationship between wealth and revenue variables. Specifically, the Task Force recommends that:

30) **The definition of substantial fiscal neutrality be made so that analyses are calculated for 95 percent of the students, and the standard for wealth neutrality be set at the point when there is no meaningful relationship between district wealth per student and district revenue per student.**

Four variables tend to drive the state's cost for public education: the distribution of students and wealth; the size of the required programs; the share of basic educational costs that the state will fund; and, the amount of enrichment beyond the basic program that will be made fiscally neutral by the state. The Task Force studied various combinations of variables in seeking a system that would fit the principles it recommends. Based upon the results of the studies, the Task Force recommends that:

31) **The basic framework of the two-tiered system established by the Legislature in 1989 be used to fund public education, and that:**

a) **A measure of economic growth, such as cost of living, be used to drive the cost of the basic school program and that basic school program costs then be modified only because of efficiencies which reduce costs or new programs which increase costs;**

b) **The local share responsibility for the costs of the basic school program be increased gradually to 43 percent;**

c) **The yield per penny of tax effort that the state will guarantee for local enrichment spending be increased to $26;**

d) **The guaranteed tax rate for enrichment spending be set at $.47; and,**

e) **The total tax rate, including debt service, be covered in the state guaranteed yield program.**

Little hard data are available that describe the need for public school facilities, although wide variations in needs among districts are known to exist. At the current time, the state supports local facilities costs through some $200 million now distributed to local school districts through the second-tier guarantees. No means are available, however, to determine whether these funds are being received by districts whose facilities needs are great. To handle emergency needs that are not now covered and to accelerate the collection of data that can be used to design a facilities support program, the Task Force recommends that:

32) **The State appropriate five million dollars to adequately fund the statewide facilities inventory already mandated.**

33) **The State develop need and wealth criteria for the award of emergency project grants and appropriate $200 million in the next biennium to fund selected eligible projects while a statewide facilities support policy is developed.**

The second-tier of the state system is designed to equalize enrichment or supplements to the basic program and to help fund debt service. Currently, the guaranteed yield allotment is allocated to qualifying districts based upon their weighted student count. This count is derived by a complex calculation involving dividing the sum of the district's basic allotment plus categorical program allotments, less transportation, career ladder and one-half of the effect of the cost of education index and small/sparse district adjustments by the basic allotment. The use of this complex formula in the distribution of second-tier money has been justified on the basis that the first-tier funding levels were considerably below the cost of a basic education. The use of a weighted student count tended to offset any inadequacy in first-tier funding. As the cost of education is more adequately reflected in the first-tier amounts, the argument for the use of weighted student counts in distributing the guaranteed yield allotments is less compelling. The Task Force recommends that:

34) **The second-tier guaranteed yield allotment be allocated based on unweighted students in average daily attendance.**

35) **A sum not to exceed $25 million be appropriated for transition assistance for districts with below statewide average property wealth.**

Current constitutional requirements and custom cause the income of the Permanent School Fund to be distributed on a per student basis regardless of the amount of other revenues available to educate the student. Obviously, "per capita" distribution sends funds to property rich and property poor districts alike. The Task Force recommends that:

36) **A constitutional amendment be offered to the voters which will allow the distribution of income from the Permanent School Fund to be wealth neutral.**

The history of school finance has shown that school districts have reacted to and taken advantage of the state's funding formulas. For example, some districts offer incentives for students to attend school for the four weeks of October when attendance counts are reported then do little to encourage attendance thereafter. Approximately 85 percent of the districts are funded strictly on four weeks of their fall attendance; the other 15 percent of the districts use one or more weeks of higher attendance in the spring. As a result of this policy, the state funds school districts based upon a sample which may not truly represent the entire year or the actual costs incurred. The Task Force recommends that:

37) **Attendance reporting requirements be changed to include reporting in both the fall and spring (four weeks in the fall and four weeks in the spring) so that districts will have an incentive to keep students in attendance throughout the year.**

IV. FUNDING PLAN DESIGN CONSIDERATIONS

The studies which led to the suggested principles and design concepts for a funding system have been tested with current property tax information and pupil populations. Analyses suggest that the relationship between revenues per pupil and wealth per pupil for 95 percent of the students can be substantially eliminated if approximately $850 million dollars per year of new state funds are appropriated. Additional costs related to student enrollment growth and new programs which might be implemented in future years were not considered in these analyses. No attempt was made to assume reduced costs resulting from the more efficient operation of school districts.

The Task Force has presented a multi-step framework in which the state can achieve an equitable finance system as required by the Texas Supreme Court. These goals can be met immediately or phased in step by step, depending upon availability of revenues.*

Exhibit One lists a set of funding parameters which follow the Task Force design characteristics. Each period represents a set of funding requirements which can be viewed sequentially as a plan or individually as levels of funding. The first period amounts are set to begin progressions that are predicted to produce fiscal neutrality within three years if the periods are no more than one year each. A basic allotment of $1,750 sets the funding for the basic educational program at an amount which represents the 1986 accountable costs which cover state mandates and requirements[2] plus economic growth as represented by increases in the cost of living.

Exhibits Two and Three show the fiscal results that would be forecast if the Exhibit One parameters are used and changes to the system are limited to those created by economic growth.

Exhibit Four displays additional measures of wealth neutrality applied to the Exhibit One parameters.

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* Two members of the Task Force, Representative Glossbrenner and Dr. Cisneros, formally disagreed with the funding framework if first period parameters were used as first year funding targets and no additional first year construction outlays were committed.

ENDNOTES

1. Correlation (r) is one accepted statistical measure of the relationship of two variables. In the case of fiscal neutrality, it is used to "co relate" district wealth per student with district revenue per student. A coefficient of 1.00 (or negative 1.00) would indicate that wealth and revenue are perfectly related, a coefficient of .00 would indicate no relationship. The square of the correlation coefficient (r^2) provides a statistic that as used in this report, indicates the percentage of variances in district revenues that are accounted for by variances in district wealth. An r-squared of .00 suggests that there is no relationship between district wealth and district revenues.

2. The 1986 accountable cost study results indicate that the estimated average costs of a regular education program that meets minimum standards established in statute and State Board rules vary within the range of $1958 to $2285 per pupil.

EXHIBITS

EXHIBIT ONE

TASK FORCE ONE PARAMETERS

Period	Basic Allotment	Local Fund Assignment	Yield Per Penny	Guaranteed Yield Tax Rate
Current Law	**$1,500**	**33.3%**	**$ 18.25**	**$ .36**
1	1,750	39%	$ 19	$ .47
2	1,830	40%	$ 20	$ .47
3	1,910	41%	$ 22	$ .47
4	2,000	42%	$ 24	$ .47
5	2,100	43%	$ 26	$ .47

EXHIBIT TWO

TASK FORCE ONE FORECAST

First Period Basic Allotment $1,750—Fifth Period $2,100
Estimated Funding Requirements
(In Millions)

	State Funds Required					Local Funds Required[1]			
Period	New Equity In Current Law (1990-91)	New Equity Over Current Law (1990-91)	Facilities Grants	Program Enhancements	Total State Over Current Law (1990-91)	New Law	Local Over Current	Wealth Neutrality[2] r^2	Wealth Neutrality[3] r^2
1	$ 50	$ 174.6[4]	$ 5[5]	$ 55	$ 234.6	$ 97.4	$ 97.4	.36	.28
2		370.9	100	80	550.9	32.7	130.1	.28	.17
3		682.8	100	90	872.8	57.7	187.8	.18	.04
4		1,037.7	—	100	1,137.7	90.4	278.2	.10	*
5		1,420.3	—	100	1,520.3	101.7	379.9	.05	*

* Slight negative simple correlation. Indicates no relationship between wealth and revenue per student.

[1] Assuming districts maximize state aid.

[2] Based upon current tax rates.

[3] Based upon districts maximizing state aid.

[4] Includes transition assistance for districts with below state average property wealth.

[5] Recommended appropriation to complete facilities inventory and needs study.

EXHIBIT THREE

TASK FORCE ONE RESULTS[1]

Period	Basic Allotment	Basic[2] Program Funding	Total[3] Equalized Funding	Guaranteed Tax Rate	Wealth[4] Neutrality r^2	Wealth[5] Neutrality r^2	Wealth[6] Neutrality r^2
1	$1,750	$2,481	$3,390	.94	.36	.28	.33
2	1,830	2,595	3,550	.97	.28	.17	.22
3	1,910	2,705	3,750	1.00	.18	.04	.08
4	2,000	2,829	3,975	1.04	.10	**	.01
5	2,100	2,967	4,200	.09	.05	**	**

** Slight negative simple correlation. Indicates no relationship between wealth and revenue per student.

[1] Assuming districts maximize state aid.

[2] State average per student in average daily attendance.

[3] State average per student in average daily attendance; excludes textbooks, teacher retirement contributions, regional service center costs, federal funds and special school districts.

[4] Based upon current tax rates.

[5] Based upon districts maximizing state aid.

[6] Based upon districts maximizing state aid and recovering lost state aid with local revenues.

EXHIBIT FOUR

WEALTH NEUTRALITY MEASURES

Period	Current Tax Rates			Maximize State Aid		
	Wealth Neutrality r^2	Slope	Elasticity	Wealth Neutrality r^2	Slope	Elasticity
1	.36	.0029	.1248	.28	.0021	.0821
2	.28	.0025	.1090	.17	.0015	.0569
3	.18	.0019	.0901	.04	.0007	.0269
4	.10	.0015	.0746	*	*	.0007
5	.05	.0011	.0626	*	*	

APPENDIX

APPENDIX A

EXECUTIVE ORDER
BY THE
Governor of the State of Texas

THE STATE OF TEXAS
EXECUTIVE DEPARTMENT
OFFICE OF THE GOVERNOR
AUSTIN, TEXAS

NOVEMBER 9, 1989

EXECUTIVE ORDER
WPC-89-19

ESTABLISHING THE TASK FORCE ON
PUBLIC EDUCATION AND DESCRIBING THE SCOPE OF ITS
EFFORTS AND METHODS OF OPERATION

WHEREAS, providing the children of Texas with the opportunity to receive a quality basic education in our primary and secondary public schools is essential to the economic and social development of the state and of primary concern to all Texans; and

WHEREAS, the Texas Supreme Court has held that the public school system is not efficient, meaning "effective or productive of results" and connoting the" use of resources so as to produce results with little waste" and that the public school system does not afford students "a substantially equal opportunity to have access to educational funds"; and

WHEREAS, there is a need to examine the state's public school system from the perspective of improving performance and increasing accountability and efficiency; and

WHEREAS, the Select Committee on Education completed a comprehensive review of the Texas public educational system in 1988 which should be used as the foundation on which this Task Force will build; and

WHEREAS, increasing state expenditures without making necessary structural changes to the public educational system will not provide a permanent solution to the issues addressed in the Edgewood V. Kirby decision;

NOW, THEREFORE, I, William P. Clements, Jr., Governor of Texas, do hereby create and establish the Task Force on Public Education, hereinafter referred to as the TASK FORCE.

I. SCOPE OF THE TASK FORCE EFFORTS

The primary mission of the TASK FORCE is to develop a blueprint for restructuring public education in Texas to produce an efficient system of public free schools.

To that end the TASK FORCE shall:

A. Delineate the components and features of a quality basic education which fulfills the State's responsibilities;

B. Outline a system which most efficiently utilizes resources in delivering a quality basic education, and recommend a method for determining the cost of delivering that quality basic education;

C. Recommend a system of funding which most effectively delivers that quality basic education; and

D. Recommend methods and programs which will both measure the results of Texas' public educational system in terms of student, teacher and administrator performance and communicate the results to parents, taxpayers and elected officials, thereby ensuring greater accountability.

II. ORGANIZATION

A. The TASK FORCE shall consist of twelve members. The Governor, Lieutenant Governor, and Speaker of the House of Representatives shall each designate four members of the TASK FORCE.

B. The Governor shall designate the Chair and Vice-Chair from the membership, both of whom shall serve in those positions at the pleasure of the Governor.

C. The Chair of the TASK FORCE shall establish any committee or sub-committee of the TASK FORCE.

D. The members of the TASK FORCE shall serve without compensation or reimbursement of expenses.

III. REPORTS

The TASK FORCE shall submit its report and recommendations regarding the charge given to it herein to the Governor on or before March 1, 1990.

This Executive Order shall be effective immediately and remain in full force and effect until modified, amended or rescinded by me.

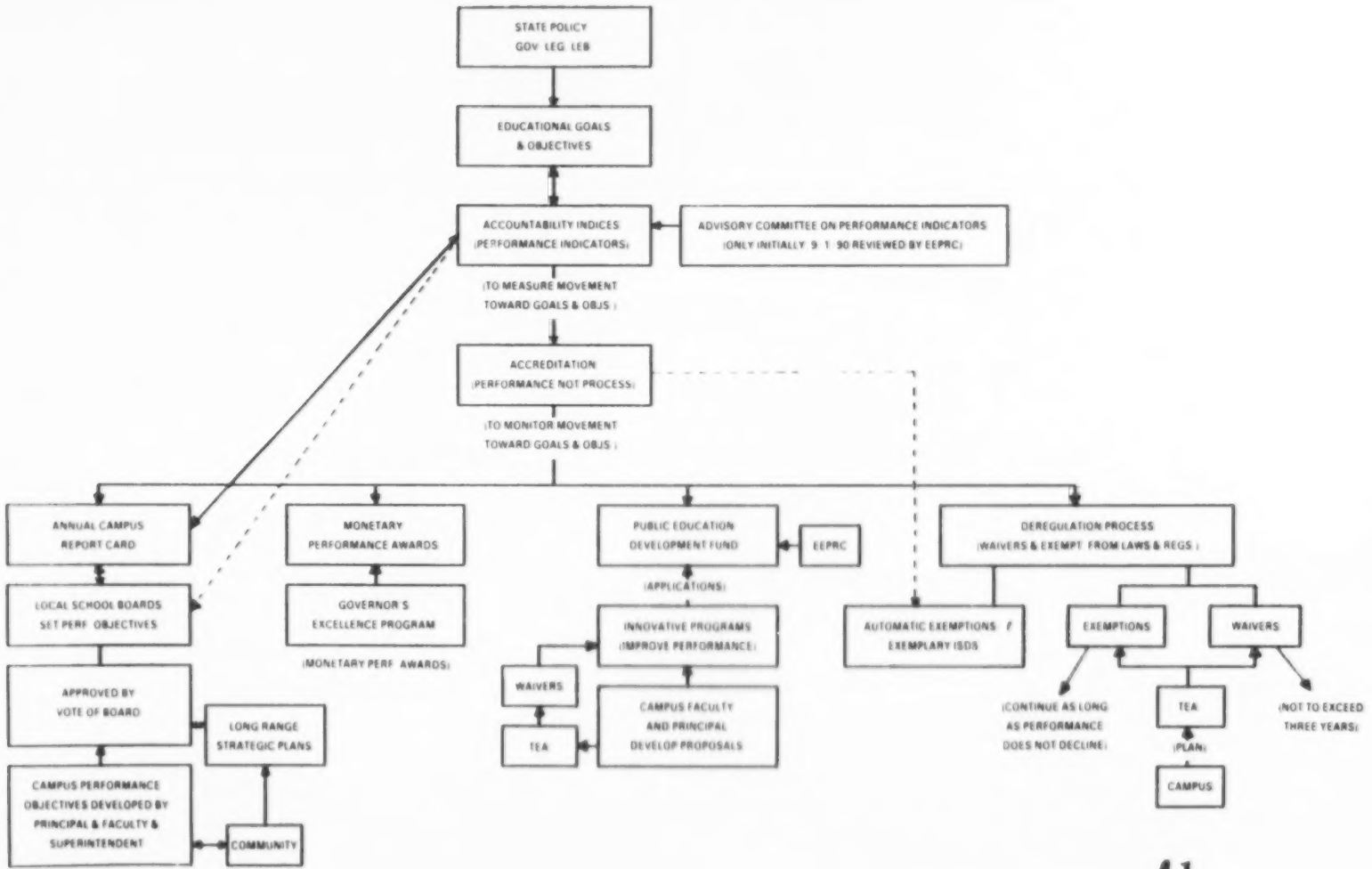
Given under my hand this 9th day of November, 1989.

William P. Clements, Jr.
Governor of Texas

George S. Bayoud, Jr.
Secretary of State

APPENDIX B

PROPOSED PERFORMANCE BASED PLAN FOR PUBLIC EDUCATION IN TEXAS
GOVERNOR'S TASK FORCE ON THE PUBLIC EDUCATION



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